

**KENTUCKY EDUCATIONAL DEVELOPMENT
CORPORATION'S ADMINISTRATION OF CARTER
COUNTY'S ADULT EDUCATION GRANTS FROM THE
COUNCIL ON POSTSECONDARY EDUCATION AND
KENTUCKY ADULT EDUCATION**

**For The Period
July 1, 2011 Through June 30, 2012**



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ADAM H. EDELEN
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September 4, 2013

Reecie Stagnolia, Vice President
Kentucky Adult Education
Council on Postsecondary Education
1024 Capital Center Drive, Suite 250
Frankfort, KY 40601

Nancy Hutchinson, Executive Director
Kentucky Educational Development Corporation
904 Rose Road
Ashland, KY 41102

Re: Adult Education Grants

Dear Mr. Stagnolia and Ms. Hutchinson:

This report contains the results of the performance audit of Kentucky Educational Development Corporation's administration of the adult education grant for the fiscal year (FY) ending June 30, 2012. The Council on Postsecondary Education and Kentucky Adult Education contracted with this office to conduct performance audits of selected local adult education programs. This report presents our findings, recommendations, and the program's responses.

The Auditor of Public Accounts conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We greatly appreciate the courtesies and cooperation extended to our staff during the audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen", written over a horizontal line.

Adam H. Edelen
Auditor of Public Accounts

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EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education (CPE) and Kentucky Adult Education (KYAE) selected the Carter County adult education program for a limited scope performance audit of its adult education grant. The Kentucky Educational Development Corporation was responsible for the administration of this grant in FY 2012. An on-site review was conducted on April 22, 2013 through April 23, 2013, to address the following objectives:

- Determine whether KYAE payments to local programs are supported by the program's accounting system.
- Reconcile student and faculty data electronically submitted to KYAE through the Adult Education Reporting Information Network (AERIN) with the information retained by the local provider.
- Determine whether the program's expenditures reported to KYAE via AERIN's Finance Module comply with the terms of their grant agreement and are supported by adequate documentation.
- Report internal control weaknesses identified during our audit that relate to the audit's objectives.

To accomplish these objectives, the performance audit team reviewed the Policy and Procedure Manual for Kentucky Adult Education, as well as the local program's agreement with KYAE. During the on-site review, the audit team reviewed the program's accounting records (trial balance/general ledger), interviewed program administrators regarding internal controls related to the above grants, and tested samples of expenditure documentation, participant files, and personnel files for compliance with applicable requirements.

Below is the summary of findings:

FINDINGS SUMMARY

Finding	Disallowed Costs
One participant's test score was entered into AERIN incorrectly; therefore, the actual test document does not support that a goal was met as reported in AERIN.	N/A
One participant's test score was entered into AERIN incorrectly; therefore, instead of obtaining two levels of progress, the test document only supports one level of progress met for the participant.	N/A

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RESULTS AND RECOMMENDATIONS

FINANCIAL REPORTING AND COMPLIANCE

Scope and Methodology

The annual expenditures for which the program requested reimbursement through the KYAE Finance Module were compared to the line item budget approved by KYAE. This comparison was used to determine whether the program's reimbursements complied with the approved budget.

The annual expenditures for which KYAE reimbursed the program were then compared to the program's internally generated financial records. This comparison was used to determine whether the program's accounting records support the total amount requested for reimbursement using the KYAE Finance Module.

Findings

No exceptions were noted.

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PARTICIPANT ELIGIBILITY AND RECORD KEEPING

Scope and Methodology

To ensure an unbiased representation of the population, an automated process was used to randomly select 60 participants from the data provided by KYAE. The total population of participants was stratified so that the participants selected had achieved at least one type of academic goal. With this stratification, the auditors were able to test whether the required support was documented and maintained for all of the selected participants.

The sample size was based on the determination to test 20 percent of the program's total participants, not to exceed 60. The participants tested received services during the period from July 1, 2011 through June 30, 2012.

The documentation maintained in the participant files was compared to the electronic student data to test compliance. We examined the files for the following:

- Proper eligibility documentation.
- Proper assessment testing.
- Evidence to support the achievement of goals/objectives reported to KYAE.
- Other requirements based upon the applicable program requirements.

The results of the test apply only to the selected sample and should not be projected to the entire population because the criteria tested may not be applicable to each participant.

Findings

Proper file maintenance and accurate data entry is important to support and document participant data submitted electronically in AERIN. The following exceptions were noted:

- One participant's test score was entered into AERIN incorrectly; therefore, the actual test document does not support that a goal was met as reported in AERIN.
- One participant's test score was entered into AERIN incorrectly; therefore, instead of obtaining two levels of progress, the test document only supports one level of progress met for the participant.

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Recommendations

We recommend that participant test results be accurately recorded in AERIN for all participants. Staff entering participant data should require complete documentation for any data entry performed on a participant and any file deficiencies should be reported to program management.

Program Response – [A draft report was provided to program management to request their comments and any planned corrective actions related the finding. Program management was given a reasonable amount of time to adequately respond to this request.]

The two exceptions noted were clerical errors.

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EMPLOYEE REQUIREMENTS

Scope and Methodology

The nine staff members employed by this program during the audit period were tested for compliance with KYAE personnel requirements. Personnel files were examined to verify that staff conducting work related to the adult education grant had the proper educational credentials required for their position.

Findings

No exceptions were noted.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

To test at least 20 percent of the total purchases, a sample of 10 expenditures was selected judgmentally from the program's detailed general ledger. These transactions were maintained at the program level and not available in an electronic format that would allow for an automated selection process. The selected expenditures were tested for authorization/approval, supporting documentation, and proper recording. We also verified that the expenditures were made during the grant period from July 1, 2011 through June 30, 2012. Because this was a judgmental sample, the results of the test cannot be projected to the entire population.

Findings

No exceptions were noted.

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INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

Internal Control Questionnaires were provided to program management regarding the controls in place for expenditures, bank reconciliations, revenue, and payroll. The completed questionnaires were reviewed by the audit team for any significant control deficiencies.

Findings

No significant control deficiencies were noted.